

**ROWAN-SALISBURY  
BOARD OF EDUCATION,  
NORTH CAROLINA**

Financial Statements  
For the Year Ended  
June 30, 2015

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## **Independent Auditors' Report**

Rowan-Salisbury Board of Education  
Salisbury, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rowan-Salisbury Board of Education, North Carolina, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Rowan-Salisbury Board of Education's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Rowan-Salisbury Board of Education, North Carolina, as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, State Public School Fund, and Special Revenue Fund for the year ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and the schedule of the proportionate share of the net pension liability and schedule of contributions on pages 49 and 50 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rowan-Salisbury Board of Education's basic financial statements. The individual fund schedules and budgetary schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund schedules and the accompanying schedule of expenditures of federal and State awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedules and the accompanying schedule of expenditures of federal and State awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 7, 2015, on our consideration of the Rowan-Salisbury Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and on the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rowan-Salisbury Board of Education internal control over financial reporting and compliance.

*Rives & Associates LLP*

Lexington, North Carolina  
December 7, 2015

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2015**

This section of the Rowan-Salisbury Board of Education's (the Board) financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2015. This information should be read in conjunction with the audited financial statements included in this report.

***Financial Highlights***

- The Board enjoyed an increase in Average Daily Membership for 2014-15 of 19,788 compared with 19,705 for 2013-14.
- State allotments provided 69% of operating revenues. The county appropriation and federal allotments provided 20 and 7 percent, respectively. The remaining 4% was contributed from other state, local and federal sources.
- Following a prior year decrease of \$2,177,971 state funding increased by approximately \$4,453,947 or 4.19% in 2014-2015.
- Federal American Recovery and Reinvestment Act (ARRA) funding of \$247,097 was utilized including \$65,448 restricted for a school improvement grant and \$181,649 utilized for provisions allowable under the Race to the Top grant.
- Salaries and related benefits accounted for 83% of operating expenditures. RowanWorks lists Rowan-Salisbury Schools as the second largest employer in Rowan County with 3,074 employees. The Board experienced a 14.08% teacher turnover in its 1,300 teaching positions.
- Over \$340,000 was received in local grant funding during 2014-2015.
- Student enrollment in the Free/Reduced Meal program equaled 62.8% qualifying the Board for federal E-rate funds. Additionally, 20 out of 20 elementary schools qualified for federal Title 1 funds as well as two middle schools and one high school.
- The Child Nutrition Program served over 37% of the students' breakfast and over 70% of the students' lunch on a daily basis. Approximately 290 Child Nutrition employees served over 3.6 million meals to students.
- 189 buses transported 10,139 students 2,455,020 miles at an efficiency rating of 88.33% compared to the state average efficiency rating of 94.5%.
- The Board served and received state and/or federal funds for 2,229 Exceptional Children students and 1,297 English as Second Language students. Seven NC Pre-Kindergarten classes provided 117 pre-school student slots and two Title 1 classes enrolled 32 additional pre-kindergarten students.
- The Board repurposed existing funds to support a digital transformation including a 3-year \$11.1 million zero percent lease of 8,735 MacAir laptops and 9,240 iPads placing a digital learning device that could be taken home in each 3<sup>rd</sup> through 12<sup>th</sup> grade student's hands. Existing technology was redistributed in order to provide each Kindergarten through 2<sup>nd</sup> grade student with a device that could be used during the school day.
- The Board entered into a Guaranteed Energy Performance contract with Energy Systems Group, LLC for the sum of \$3,682,274.09 with the final payment on the related lease due to Banc of America Public Capital Corp payable on January 13, 2031. Projected energy savings over 15 years is estimated at \$5,701,409 leaving a projected net savings of \$1,092,648.88 for the system after payments of principal and interest totaling \$4,608,760.12.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2015**

***Overview of the Financial Statements***

The audited financial statements of the Rowan-Salisbury Board of Education consist of four components. They are as follows:

- *Independent Auditor's Report*
- *Management's Discussion and Analysis*
- *Basic Financial Statements*
- *Required supplemental section that presents individual fund statements and schedules on a budgetary basis for certain governmental funds and the enterprise fund.*

The *Basic Financial Statements* include two types of statements that present different views of the Board's finances. The first is the *government-wide financial statements*. The government-wide statements are presented on the full accrual basis of accounting and include the statement of net position and the statement of activities. The statement of net position includes all of the Board's assets and deferred outflows, liabilities and deferred inflows of resources. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets, deferred inflows and outflows of resources and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The statement of activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds and proprietary funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary fund is presented on the full accrual basis of accounting.

The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government wide statements, a reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on the financial resources of the Board's major funds.

**Government-wide Financial Statements**

The government-wide financial statements report information about the Board as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Board's assets, deferred outflows and inflows of resources and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Board's net position and how it has changed. Net position – the difference between the Board's assets, deferred outflows and inflows of resources and the total of liabilities – is one way to measure the unit's financial health or position.

- Over time, increases or decreases in the Board's net position are an indicator of whether its financial position is improving or deteriorating.



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2015**

- To assess the Board's overall health, one should consider additional non-financial factors such as changes in the County's property tax base and the condition of its school buildings and other physical assets.

The Board's activities are divided into two categories in the government-wide statements:

- **Governmental activities:** Most of the Board's basic services are included here, such as regular and special education, transportation, and administration. County funding and State and federal aid finance most of these activities.
- **Business-type activities:** The Board charges fees to help cover the costs of certain services it provides. School food service is included here.

The government-wide statements are Exhibits 1 and 2 of this report.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the Board's funds, focusing on its most significant or "major" funds. Funds are accounting devices the Board uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law, such as the State Public School Fund.
- The Board has established other funds to control and manage money for a particular purpose or to show that it is properly using certain revenues, such as in the Federal Grants Fund and the Special Revenue Fund.

Rowan-Salisbury Board of Education has two types of funds:

*Governmental funds:* Most of the Board's basic services are included in the governmental funds, which generally focus on two things – how cash and other assets can readily be converted to cash flow in and out, and the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, the Federal Grants Fund and the Special Revenue Fund.

The governmental fund statements are Exhibits 3, 4, and 5 of this report.

*Proprietary funds:* Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. Rowan-Salisbury Board of Education has one proprietary fund – an enterprise fund – the School Food Service Fund.

The proprietary fund statements are Exhibits 6, 7, and 8 of this report.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2015**

**Financial Analysis of the Board as a Whole**

Net position are an indicator of the fiscal health of the Board. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$89,636,436 as of June 30, 2015, a decrease of 23.7%, as compared to net position at June 30, 2014 of \$117,448,691. The largest component of net position is net investment in capital assets of \$124,733,837 as of June 30, 2015 as compared to \$114,894,468 as of June 30, 2014.

Following is a summary of the statement of net position:

Table 1  
Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Current assets	\$ 16,995,806	\$ 14,578,566	\$ 3,599,155	\$ 3,313,495	\$ 20,594,961	\$ 17,892,061
Capital assets	<u>122,914,382</u>	<u>112,888,152</u>	<u>1,819,455</u>	<u>2,006,316</u>	<u>124,733,837</u>	<u>114,894,468</u>
Total assets	<u>139,910,188</u>	<u>127,466,718</u>	<u>5,418,610</u>	<u>5,319,811</u>	<u>145,328,798</u>	<u>132,786,529</u>
Deferred outflows of resource	<u>8,605,001</u>	-	<u>285,541</u>	-	<u>8,890,542</u>	-
Current liabilities	4,595,850	4,501,015	59,395	33,186	4,655,245	4,534,201
Long-term liabilities	<u>25,648,673</u>	<u>10,076,399</u>	<u>492,236</u>	<u>274,152</u>	<u>26,140,909</u>	<u>10,350,551</u>
Total liabilities	<u>30,244,523</u>	<u>14,577,414</u>	<u>551,631</u>	<u>307,338</u>	<u>30,796,154</u>	<u>14,884,752</u>
Deferred inflows of resources	<u>32,630,181</u>	<u>351,140</u>	<u>1,156,569</u>	<u>101,946</u>	<u>33,786,750</u>	<u>453,086</u>
Net investment in capital assets	122,914,382	112,888,152	1,819,455	2,006,316	124,733,837	114,894,468
Restricted	4,299,994	5,277,628	-	-	4,299,994	5,277,628
Unrestricted (deficit)	<u>(41,573,891)</u>	<u>(5,627,616)</u>	<u>2,176,496</u>	<u>2,904,211</u>	<u>(39,397,395)</u>	<u>(2,723,405)</u>
Total net position	<u>\$ 85,640,485</u>	<u>\$ 112,538,164</u>	<u>\$ 3,995,951</u>	<u>\$ 4,910,527</u>	<u>\$ 89,636,436</u>	<u>\$117,448,691</u>

In 2015, the Board adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions (GASB 68)* and related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements require the Board to recognize its proportionate share of the net pension asset or liability, deferred outflows and deferred inflows of resources, and related expenses from its participation in the North Carolina Teachers' and State Employees' Retirement System. The results of these statements include recognizing a net pension liability for the defined benefit plan and related deferred outflows and deferred inflows of resources. The cumulative effect of implementing these statements resulted in a restatement of beginning net position for the governmental activities and business-type activities of (\$36,977,906) and (\$1,227,042), respectively.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
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**June 30, 2015**

The following table shows the revenues and expenses for the Board:

Table 2  
Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 172,176	\$ 211,570	\$ 2,971,803	\$ 3,015,558	\$ 3,143,979	\$ 3,227,128
Operating grants and contributions	130,167,232	128,631,792	9,132,127	8,859,386	139,299,359	137,491,178
Capital grants and contributions	319,444	5,796	-	-	319,444	5,796
<b>General revenues:</b>						
Other revenues	<u>36,119,451</u>	<u>34,732,324</u>	<u>58,585</u>	<u>73,688</u>	<u>36,178,036</u>	<u>34,806,012</u>
<b>Total revenues</b>	<u>166,778,303</u>	<u>163,581,482</u>	<u>12,162,515</u>	<u>11,948,632</u>	<u>178,940,818</u>	<u>175,530,114</u>
<b>Expenses:</b>						
<b>Governmental activities:</b>						
Instructional services	124,640,544	134,095,161	-	-	124,640,544	134,095,161
System-wide support services	26,175,182	28,480,780	-	-	26,175,182	28,480,780
Ancillary services	12,333	16,086	-	-	12,333	16,086
Non-programmed charges	347,392	605,147	-	-	347,392	605,147
Depreciation	5,522,625	3,333,639	-	-	5,522,625	3,333,639
<b>Business-type activities:</b>						
Food service	<u>-</u>	<u>-</u>	<u>11,850,049</u>	<u>12,723,435</u>	<u>11,850,049</u>	<u>12,723,435</u>
<b>Total expenses</b>	<u>156,698,076</u>	<u>166,530,813</u>	<u>11,850,049</u>	<u>12,723,435</u>	<u>168,548,125</u>	<u>179,254,248</u>
Change in net position	<u>10,080,227</u>	<u>(2,949,331)</u>	<u>312,466</u>	<u>(774,803)</u>	<u>10,392,693</u>	<u>(3,724,134)</u>
Net position, beginning, as previously reported	112,538,164	115,487,495	4,910,527	5,685,330	117,448,691	121,172,825
Restatement – GASB 68*	<u>(36,977,906)</u>	<u>-</u>	<u>(1,227,042)</u>	<u>-</u>	<u>(38,204,948)</u>	<u>-</u>
Net positions, beginning as restated	<u>75,560,258</u>	<u>115,487,495</u>	<u>3,683,485</u>	<u>5,685,330</u>	<u>79,243,743</u>	<u>121,172,825</u>
Net position, ending	<u>\$ 85,640,485</u>	<u>\$ 112,538,164</u>	<u>\$ 3,995,951</u>	<u>\$ 4,910,527</u>	<u>\$ 89,636,436</u>	<u>\$117,448,691</u>

\* It is important to understand that the year comparison is skewed by the Board's required adoption of GASB 68 in the year ended June 30, 2015. The Board is overfunded on an actuarial basis. As a result, the contribution accrued by the Board for the Teachers' and State Employees' Retirement System, which is typically expensed under both accounting methods (government-wide and governmental funds) is recognized as a deferred outflow of resources on the government-wide statement of net position. In essence, it is considered a prepaid item which will be added to the net pension asset/liability in future periods.

For the year ended June 30, 2015, total governmental activities generated revenues of \$166.8 million while expenses in this category totaled \$156.7 million. The increase in net position stands at \$10,080,227. Instructional expenses comprised 79.5% of total governmental-type expenses while support services made up 16.7% of those expenses. County funding comprised 20.7% of total governmental revenue. Much of the remaining total governmental revenue consists of restricted State and federal money. Business-type activities generated revenue of \$12.1 million and had expenses of \$11.8 million. Net position increased in the business-type activities by \$312,466.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2015**

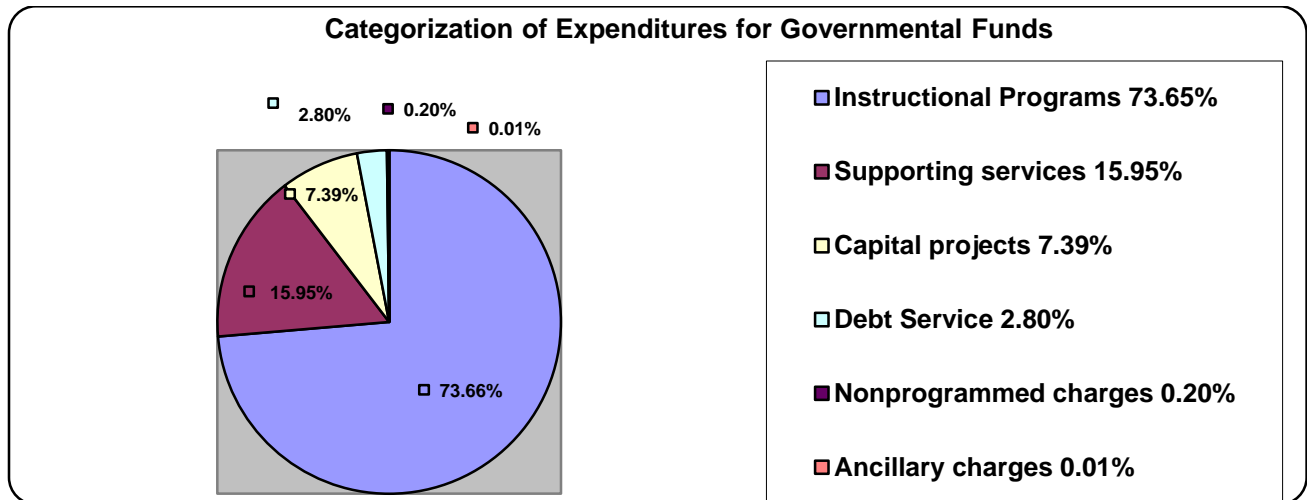
**Financial Analysis of the Board's Funds**

**Governmental Funds:** The focus of Rowan-Salisbury Board of Education's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Board's financing requirements.

The Board's governmental funds reported a combined fund balance of \$11,503,117, an increase of \$1,600,255 from last year.

**Proprietary Funds:** The Board's business-type fund, the School Food Service Fund, reflected a decrease in net position over last year.

Revenues from food sales decreased by approximately 2.6% or \$78,317. Non-operating revenues increased by 3.4% with expenditures decreasing by 6.9%. The result was a net income of \$312,466 as compared to a net loss of (\$774,803) the prior year.



Expenditures presented on modified accrual basis of accounting.

**General Fund Budgetary Highlights**

Actual General Fund revenues were \$103,026 over budget. Revenues exceeded expenditures by \$2,103,100 and fund balance increased by the same amount. Of the total \$2,000,074 difference in actual expenditures and budget amounts in the General Fund, \$1,310,385 was realized in the system-wide support services category. Funds were also left unspent in departmental budgets in an effort to conserve funding to offset budget issues anticipated to arise in future fiscal years or in the event that the State would require another reversion in the current fiscal year that would necessitate the use of local funding to cover remaining expenditures.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2015**

**Capital Assets**

Capital assets increased by \$9,839,368 (or 8.6%) from the previous year. This was primarily due to addition of equipment relating to the installment lease entered into with Apple in the current year. The following is a summary of the capital assets, net of depreciation at year-end.

**Table 3**  
**Summary of Capital Assets**  
**as of June 30, 2015 and 2014**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Land	\$ 4,462,781	\$ 2,921,823	\$ -	\$ -	\$ 4,462,781	\$ 2,921,823
Construction	1,124,029	430,726	-	-	1,124,029	430,726
Buildings	98,561,031	101,164,808	-	-	98,561,031	101,164,808
Equipment and furniture	12,875,992	3,959,641	1,819,455	2,006,316	14,695,447	5,965,957
Vehicles	<u>5,890,549</u>	<u>4,411,155</u>	<u>-</u>	<u>-</u>	<u>5,890,549</u>	<u>4,411,155</u>
Total	<u>\$122,914,382</u>	<u>\$112,888,153</u>	<u>\$1,819,455</u>	<u>\$2,006,316</u>	<u>\$124,733,837</u>	<u>\$114,894,469</u>

**Debt Outstanding**

During the year the Board's outstanding debt increased by \$4,946,092 due mainly to the use of installment financing to pay for computer equipment and school buses. The Board is limited by North Carolina Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction.

**Economic Factors**

Population in the County has increased 0.1% from April 2010 to July 1, 2014 with the estimated 2014 population at 138,630. It is projected to decrease by to 141,719 by the year 2019. The Board anticipates a stable enrollment over the next several years and will need replacement schools, upgrades and continued maintenance on current facilities and equipment. County funding is a major source of income for the Board; therefore, the County's economic outlook directly affects that of the School Board.

Recently, Rowan County's local economy has gained substantial momentum. The County will work to shake off the remaining impacts of the previous recession, more than 3,200 jobs and \$240 million of investment were announced or created during FY 14-15. The vacancy rate for modern and semi-modern industrial properties has reached the lowest level in a decade, and employers are continuing to add new employees, across industry sectors. Rowan County's Unemployment Rate of 6.3% is more than 50% less than it was at the end of 2009. In addition to industrial job creation, new retail, restaurant and hospitality developments have further improved our local economy. For example, tourism spending in Rowan County increased 5.8% and now represents more than \$153 million of annual fiscal impact

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2015**

The County will continue to pursue new business investments and expansion of current businesses with the expectation of continued positive economic trends in the near future. The following significant projects were announced, under construction or completed during fiscal year 2015:

- Gildan Yarns – Completed construction on their second operation in Rowan County. This new yarn-spinning facility, located near the City of Salisbury, has added more than 365 jobs to our local economy and more than \$180 million investment.
- Granite Industrial Park – by using external grant sources, Rowan County was able to build a new industrial park adjacent to the second Gildan facility. By leveraging and donating County owned land to the project, grants were secured that allowed us to run new roads and water lines, opening 92 acres for additional industrial development.
- Agility Fuel Systems – Rowan County successfully courted and secured commitments from Agility Fuel Systems to build a new 300,000 square foot manufacturing headquarters. The new building was substantially completed by May, and began hiring in June of 2015.
- Retail Recruitment – In addition to a number of smaller retail projects, the new “Shoppes at Summit” have recently opened. The initial phase of this project has added more than 150,000 square feet of retail space and 145 jobs.
- Integro Technologies – Integro, who completed construction of a new \$4 million building in downtown Salisbury last year, has added an additional 20 high-paying jobs. The company pays an average wage exceeding \$75,000 a year and now employs more than 60 workers. The Company has recently been named to Inc. Magazine’s “Fast 50” and won national acclaim for their work in systems integration.
- America’s First 10 Gig City – Salisbury, NC, in partnership with CALIX technologies, became the first City in America to offer 10 Gig fiber optic connections to every home and business.
- Daimler Trucks – With the addition of their Western Star line to our Cleveland, NC facility, Daimler Trucks has added more than 2,000 employees and is considering a substantial new investment in their Rowan County facility.
- Composite Panel Technology – CPT announced a new facility in Salisbury, NC that will employ approximately 75 people, creating sleeper cabs for Daimler Trucks
- New Serum Brewery - Their new facility will be completed later this year, adding 14 high paying jobs and more than \$2 million to the tax base.
- JP Capital – The company has purchased the formerly vacant GE Industries building on Old Concord Road. They are set to hire more than 75 new employees and look to make a substantial capital investment in the facility during FY 2015.
- Imperial Brown – The company has invested more than \$2 million in new equipment and upgrades, and has added more than 150 jobs.

**Requests for Information**

This report is intended to provide a summary of the financial condition of Rowan-Salisbury Board of Education. Questions or requests for additional information should be addressed to:

Tara L. Trexler, Chief Financial Officer  
Rowan-Salisbury Board of Education  
P. O. Box 2349  
Salisbury, NC 28145-2349

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**BASIC FINANCIAL STATEMENTS**  
**(Government-wide)**

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## Statement of Net Position

June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 12,843,058	\$ 3,098,858	\$ 15,941,916
Due from other governments	4,152,748	331,491	4,484,239
Inventories	-	168,806	168,806
	<u>16,995,806</u>	<u>3,599,155</u>	<u>20,594,961</u>
Capital assets:			
Land and construction in progress	5,586,811	-	5,586,811
Other capital assets, net of depreciation	<u>117,327,571</u>	<u>1,819,455</u>	<u>119,147,026</u>
Total capital assets	<u>122,914,382</u>	<u>1,819,455</u>	<u>124,733,837</u>
Total assets	<u>139,910,188</u>	<u>5,418,610</u>	<u>145,328,798</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>8,605,001</u>	<u>285,541</u>	<u>8,890,542</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	304,046	25,043	329,089
Accrued salaries and benefits	4,291,804	34,352	4,326,156
Unearned revenue	-	-	-
Long-term liabilities:			
Net pension liability	8,210,599	272,453	8,483,052
Due within one year	4,384,820	-	4,384,820
Due in more than one year	<u>13,053,254</u>	<u>219,783</u>	<u>13,273,037</u>
Total liabilities	<u>30,244,523</u>	<u>551,631</u>	<u>30,796,154</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>32,630,181</u>	<u>1,156,569</u>	<u>33,786,750</u>
<b>NET POSITION</b>			
Net investment in capital assets	122,914,382	1,819,455	124,733,837
Restricted:			
Individual schools	1,789,010	-	1,789,010
Stabilization by State statute	859,486	-	859,486
School capital outlay	1,651,498	-	1,651,498
Unrestricted (deficit)	<u>(41,573,891)</u>	<u>2,176,496</u>	<u>(39,397,395)</u>
Total net position	<u>\$ 85,640,485</u>	<u>\$ 3,995,951</u>	<u>\$ 89,636,436</u>

The accompanying notes to the financial statements are an integral part of these statements



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**

**Statement of Activities**

**For the Year Ended June 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
Instructional services:			
Regular instructional	\$ 74,385,342	\$ 12,936	\$ 71,182,629
Special populations	14,943,428	-	13,932,207
Alternative programs	9,863,273	-	9,501,010
School leadership	9,253,201	-	6,945,150
Co-curricular	5,994,203	-	5,224,314
School-based support	10,201,097	-	9,096,219
System-wide support services:			
Support and development	1,129,861	-	699,055
Special population support and development	1,289,401	-	1,046,308
Alternative programs and services support and development	87,220	-	49,499
Technology support	2,465,347	-	865,584
Operational support	17,171,145	159,240	9,329,567
Financial and human resource	2,526,565	-	1,062,348
Accountability	145,520	-	52,766
System-wide pupil support	171,053	-	-
Policy, leadership and public relations	1,189,070	-	637,884
Ancillary services	12,333	-	51,695
Non-programmed charges	347,392	-	490,997
Unallocated depreciation expense	5,522,625	-	-
Total governmental activities	<u>156,698,076</u>	<u>172,176</u>	<u>130,167,232</u>
Business-type activities:			
School food service	11,850,049	2,940,718	9,132,127
Total business-type activities	<u>11,850,049</u>	<u>2,940,718</u>	<u>9,132,127</u>
Total primary government	<u>\$ 168,548,125</u>	<u>\$ 3,112,894</u>	<u>\$ 139,299,359</u>

General revenues:

  Unrestricted County appropriations - operating  
  Unrestricted County appropriations - capital  
  Unrestricted State appropriations - capital  
  Investment earnings, unrestricted  
  Miscellaneous, unrestricted

Transfers

  Total general revenues and transfers

  Change in net position

Beginning net position, as previously reported

Restatement

Beginning net position, as restated

Ending net position

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (3,189,777)	\$ -	\$ (3,189,777)
-	(1,011,221)	-	(1,011,221)
-	(362,263)	-	(362,263)
-	(2,308,051)	-	(2,308,051)
-	(769,889)	-	(769,889)
-	(1,104,878)	-	(1,104,878)
-	(430,806)	-	(430,806)
-	(243,093)	-	(243,093)
-	(37,721)	-	(37,721)
-	(1,599,763)	-	(1,599,763)
319,444	(7,362,894)	-	(7,362,894)
-	(1,464,217)	-	(1,464,217)
-	(92,754)	-	(92,754)
-	(171,053)	-	(171,053)
-	(551,186)	-	(551,186)
-	39,362	-	39,362
-	143,605	-	143,605
-	(5,522,625)	-	(5,522,625)
<u>319,444</u>	<u>(26,039,224)</u>	<u>-</u>	<u>(26,039,224)</u>
-	-	222,796	222,796
-	-	222,796	222,796
<u>\$ 319,444</u>	<u>(26,039,224)</u>	<u>222,796</u>	<u>(25,816,428)</u>
	32,198,980	-	32,198,980
	2,143,006	-	2,143,006
	946,092	-	946,092
	36,415	6,890	43,305
	846,653	31,085	877,738
	(51,695)	51,695	-
	<u>36,119,451</u>	<u>89,670</u>	<u>36,209,121</u>
	10,080,227	312,466	10,392,693
	112,538,164	4,910,527	117,448,691
	<u>(36,977,906)</u>	<u>(1,227,042)</u>	<u>(38,204,948)</u>
	<u>75,560,258</u>	<u>3,683,485</u>	<u>79,243,743</u>
	<u>\$ 85,640,485</u>	<u>\$ 3,995,951</u>	<u>\$ 89,636,436</u>

The accompanying notes to the financial statements are an integral part of these statements

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## **FUND FINANCIAL STATEMENTS**

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ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA

Exhibit 3

Balance Sheet  
Governmental Funds  
June 30, 2015

	Major Funds					Non-Major Fund	Total Governmental Funds
	General	State Public School	Special Revenue	Capital Outlay	Individual Schools	Federal Grants	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 6,133,533	\$ -	\$ 1,518,291	\$ 3,402,224	\$ 1,789,010	\$ -	\$ 12,843,058
Due from other governments	105,690	2,998,514	72,855	680,941	-	294,748	4,152,748
Total assets	<u>\$ 6,239,223</u>	<u>\$ 2,998,514</u>	<u>\$ 1,591,146</u>	<u>\$ 4,083,165</u>	<u>\$ 1,789,010</u>	<u>\$ 294,748</u>	<u>\$ 16,995,806</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
Liabilities:							
Accounts payable and accrued expenses	\$ 275,418	\$ -	\$ 9,502	\$ 19,126	\$ -	\$ -	\$ 304,046
Accrued salaries and benefits	965,049	2,998,514	33,493	-	-	294,748	4,291,804
Total liabilities	<u>1,240,467</u>	<u>2,998,514</u>	<u>42,995</u>	<u>19,126</u>	<u>-</u>	<u>294,748</u>	<u>4,595,850</u>
Deferred inflows of resources	-	-	896,839	-	-	-	896,839
Fund balances:							
Restricted:							
Stabilization by State statute	105,690	-	72,855	680,941	-	-	859,486
School capital outlay	-	-	-	1,651,498	-	-	1,651,498
Individual schools	-	-	-	-	1,789,010	-	1,789,010
Assigned:							
Special revenue	-	-	578,147	-	-	-	578,147
Subsequent years expenditures	16,000	-	310	1,731,600	-	-	1,747,910
Unassigned	4,877,066	-	-	-	-	-	4,877,066
Total fund balances	<u>4,998,756</u>	<u>-</u>	<u>651,312</u>	<u>4,064,039</u>	<u>1,789,010</u>	<u>-</u>	<u>11,503,117</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,239,223</u>	<u>\$ 2,998,514</u>	<u>\$ 1,591,146</u>	<u>\$ 4,083,165</u>	<u>\$ 1,789,010</u>	<u>\$ 294,748</u>	<u>\$ 16,995,806</u>

Reconciliation of the balance sheet to the statement of net position:

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Total fund balance - governmental funds		\$ 11,503,117
Deferred outflows of resources related to pension:		
Contributions made to the pension plan in current fiscal year		8,605,001
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		122,914,382
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.		
Net pension liability	\$ (8,210,599)	-
Installment purchase	(7,888,593)	
Compensated absences	<u>(9,549,481)</u>	<u>(25,648,673)</u>
Deferred inflow of resources related to pension:		
Differences between expected and actual experience		(1,913,845)
Differences between projected and actual earnings on plan investments		(27,740,612)
Differences between contributions and proportional share of contributions and changes in proportion		<u>(2,078,885)</u>
Net position of governmental activities		<u>\$ 85,640,485</u>

The accompanying notes to the financial statements are an integral part of these statements

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

**Exhibit 4**

	Major Funds					Non-Major Fund	Total Governmental Funds
	General	State Public School	Special Revenue	Capital Outlay	Individual Schools	Federal Grants	
<b>REVENUES</b>							
State of North Carolina	\$ -	\$ 109,168,776	\$ 653,217	\$ 946,092	\$ -	\$ -	\$ 110,768,085
Rowan County	32,378,162	-	-	1,897,168	362,440	-	34,637,770
U.S. Government	370,452	-	-	-	-	10,863,548	11,234,000
Other	3,344,313	-	1,592,652	645,395	4,861,874	-	10,444,234
Total revenues	<u>36,092,927</u>	<u>109,168,776</u>	<u>2,245,869</u>	<u>3,488,655</u>	<u>5,224,314</u>	<u>10,863,548</u>	<u>167,084,089</u>
<b>EXPENDITURES</b>							
Current:							
Instructional services:							
Regular instructional	10,390,414	65,449,884	676,035	-	-	1,224,221	77,740,554
Special populations	1,676,406	10,332,934	1,490	-	-	3,599,273	15,610,103
Alternative programs	179,458	4,054,901	586,404	-	-	5,446,109	10,266,872
School leadership	2,768,743	6,936,086	-	-	-	9,064	9,713,893
Co-curricular	884,426	-	23,863	-	5,138,304	-	6,046,593
School-based support	1,461,797	8,750,748	103,170	-	-	345,471	10,661,186
System-wide support services:							
Support and development	471,072	695,293	8,264	-	-	3,762	1,178,391
Special population support and development	296,884	1,034,045	-	-	-	12,263	1,343,192
Alternative programs and services support and development	39,787	253	-	-	-	49,246	89,286
Technology support	1,640,538	865,378	-	-	-	207	2,506,123
Operational support	9,502,157	9,247,264	40,834	-	-	82,303	18,872,558
Financial and human resource	1,535,094	1,062,348	2,966	-	-	-	2,600,408
Accountability	99,719	52,766	-	-	-	-	152,485
System-wide pupil support	179,247	-	-	-	-	-	179,247
Policy, leadership and public relations	594,304	637,884	64	-	-	-	1,232,252
Ancillary services	12,815	-	1,999	-	-	-	14,814
Non-programmed charges	256,966	(2,703)	1,500	-	-	91,629	347,392
Debt service:							
Principal	2,000,000	-	2,000,000	946,092	-	-	4,946,092
Capital projects:							
Real property and buildings	-	-	-	994,667	-	-	994,667
Furniture and equipment	5,559,478	-	5,559,478	896,906	-	-	12,015,862
Buses and motor vehicles	-	-	-	39,125	-	-	39,125
Total expenditures	<u>39,549,305</u>	<u>109,117,081</u>	<u>9,006,067</u>	<u>2,876,790</u>	<u>5,138,304</u>	<u>10,863,548</u>	<u>176,551,095</u>

The accompanying notes to the financial statements are an integral part of these statements

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

**Exhibit 4**  
**(Continued)**

	<u>Major Funds</u>					<u>Non-Major</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>State Public School</u>	<u>Special Revenue</u>	<u>Capital Outlay</u>	<u>Individual Schools</u>	<u>Federal Grants</u>	
Excess (deficiency) of revenues over expenditures	\$ (3,456,378)	\$ 51,695	\$ (6,760,198)	\$ 611,865	\$ 86,010	\$ -	\$ (9,467,006)
<b>OTHER FINANCING SOURCES</b>							
Transfers to other funds	-	(51,695)	-	-	-	-	(51,695)
Capital lease obligations issued	-	-	-	-	-	-	-
Installment purchase obligations issued	5,559,478	-	5,559,478	-	-	-	11,118,956
Total other financing uses	5,559,478	(51,695)	5,559,478	-	-	-	11,067,261
Net change in fund balance	2,103,100	-	(1,200,720)	611,865	86,010	-	1,600,255
<b>FUND BALANCE</b>							
Beginning of year	2,895,656	-	1,852,032	3,452,174	1,703,000	-	9,902,862
End of year	\$ 4,998,756	\$ -	\$ 651,312	\$ 4,064,039	\$ 1,789,010	\$ -	\$ 11,503,117

**Reconciliation of the statement of revenues, expenditures and changes in fund balances  
governmental funds to the statement of activities:**

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net changes in fund balances - total governmental funds	\$ 1,600,255
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	10,076,587
Contributions to the pension plan in the current fiscal year and not included on the statement of activities	8,605,001
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Repayment of debt	(7,712,142)
Proceeds from disposal of assets	(319,444)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Pension expense	(2,966,035)
Gain on disposal of capital assets	269,087
Compensated absences	526,918
Total changes in net position of governmental activities	<u>\$ 10,080,227</u>

The accompanying notes to the financial statements are an integral part of these statements

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual**  
**General and Major Special Revenue Funds**  
**For the Year Ended June 30, 2015**

	<b>General Fund</b>			Variance with Final Budget - Favorable (Unfavorable)
	Budget		Actual Amounts	
	Original	Final		
<b>REVENUES</b>				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Rowan County	32,189,444	32,378,162	32,378,162	-
U.S. Government	446,523	446,523	370,452	(76,071)
Other	3,079,697	3,165,216	3,344,313	179,097
Total revenues	<u>35,715,664</u>	<u>35,989,901</u>	<u>36,092,927</u>	<u>103,026</u>
<b>EXPENDITURES</b>				
Current:				
Instructional services:				
Regular instructional	10,958,419	10,800,370	10,390,414	409,956
Special populations	1,960,099	1,782,672	1,676,406	106,266
Alternative programs	194,777	227,656	179,458	48,198
School leadership	2,770,935	2,814,608	2,768,743	45,865
Co-curricular	890,721	891,271	884,426	6,845
School-based support	1,419,572	1,529,840	1,461,797	68,043
System-wide support services:				
Support and development	564,272	519,069	471,072	47,997
Special population support and development	129,235	308,882	296,884	11,998
Alternative programs and services support and development	-	49,795	39,787	10,008
Technology support	1,993,456	7,510,404	7,200,016	310,388
Operational support	9,622,997	9,796,526	9,502,157	294,369
Financial and human resource	2,118,880	1,806,959	1,535,094	271,865
Accountability	89,118	109,881	99,719	10,162
System-wide pupil support	166,277	189,405	179,247	10,158
Policy, leadership, and public relations	637,043	937,744	594,304	343,440
Ancillary services	11,145	12,819	12,815	4
Non-programmed charges	188,718	261,478	256,966	4,512
Debt service:				
Principal	2,000,000	2,000,000	2,000,000	-
Total expenditures	<u>35,715,664</u>	<u>41,549,379</u>	<u>39,549,305</u>	<u>2,000,074</u>
Revenues over (under) expenditures	<u>-</u>	<u>(5,559,478)</u>	<u>(3,456,378)</u>	<u>2,103,100</u>
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Installment purchase obligations issued	-	5,559,478	5,559,478	-
Total other financing sources (uses)	<u>-</u>	<u>5,559,478</u>	<u>5,559,478</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,103,100	<u>\$ 2,103,100</u>
Fund balances, beginning			<u>2,895,656</u>	
Fund balances, ending			<u>\$ 4,998,756</u>	

**Exhibit 5**

<b>State Public School Fund</b>			
Budget		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
Original	Final		
\$ 104,885,740	\$ 111,825,277	\$ 109,168,776	\$ (2,656,501)
-	-	-	-
-	-	-	-
-	-	-	-
<u>104,885,740</u>	<u>111,825,277</u>	<u>109,168,776</u>	<u>(2,656,501)</u>
64,803,638	67,120,039	65,449,884	1,670,155
10,915,857	10,332,284	10,332,934	(650)
3,094,472	4,144,501	4,054,901	89,600
6,985,611	7,066,882	6,936,086	130,796
-	-	-	-
8,591,603	9,261,697	8,750,748	510,949
693,985	695,301	695,293	8
-	1,034,049	1,034,045	4
-	254	253	1
170,409	921,989	865,378	56,611
8,111,748	9,443,520	9,247,264	196,256
742,415	1,062,405	1,062,348	57
44,628	52,767	52,766	1
-	-	-	-
685,255	637,889	637,884	5
-	-	-	-
-	-	(2,703)	2,703
-	-	-	-
<u>104,839,621</u>	<u>111,773,577</u>	<u>109,117,081</u>	<u>2,656,496</u>
<u>46,119</u>	<u>51,700</u>	<u>51,695</u>	<u>(5)</u>
(46,119)	(51,700)	(51,695)	5
-	-	-	-
<u>(46,119)</u>	<u>(51,700)</u>	<u>(51,695)</u>	<u>5</u>
<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
		<u>-</u>	
		<u>\$ -</u>	

The accompanying notes to the financial statements are an integral part of these statements



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual**  
**General and Major Special Revenue Funds**  
**For the Year Ended June 30, 2015**

**Exhibit 5**  
**(Continued)**

	<b>Special Revenue Fund</b>			Variance with Final Budget - (Unfavorable)
	Budget		Actual Amounts	
	Original	Final		
<b>REVENUES</b>				
State of North Carolina:				
N.C. Pre-Kindergarten Program	\$ 606,258	\$ 571,609	\$ 553,217	\$ (18,392)
School nurse funding	100,000	100,000	100,000	-
Total State of North Carolina	<u>706,258</u>	<u>671,609</u>	<u>653,217</u>	<u>(18,392)</u>
Other:				
Tuition and fees	-	3,733	12,936	9,203
Indirect cost	800,000	350,000	254,090	(95,910)
Interest earned	-	-	2,237	2,237
Disposition of fixed asset	-	-	319,126	319,126
Laptop/Ipap 1:1 Initiative	-	591,326	97,559	(493,767)
Miscellaneous local operating revenues	2,202,537	2,958,166	906,704	(2,051,462)
Total other	<u>3,002,537</u>	<u>3,903,225</u>	<u>1,592,652</u>	<u>(2,310,573)</u>
Total revenues	<u>3,708,795</u>	<u>4,574,834</u>	<u>2,245,869</u>	<u>(2,328,965)</u>
<b>EXPENDITURES</b>				
Current:				
Instructional services:				
Regular instructional	2,906,759	7,110,155	6,235,513	874,642
Special populations	4,160	6,160	1,490	4,670
Alternative programs	634,012	615,419	586,404	29,015
Co-curricular	4,779	29,999	23,863	6,136
School-based support	102,019	106,751	103,170	3,581
System-wide support services:				
Support and development	-	16,550	8,264	8,286
Operational support	51,303	213,405	40,834	172,571
Financial and human resource	1,634	12,189	2,966	9,223
Policy, leadership, and public relations	-	65	64	1
Ancillary services	4,129	21,119	1,999	19,120
Non-programmed charges	-	2,500	1,500	1,000
Debt service:				
Principal	-	2,000,000	2,000,000	-
Total expenditures	<u>3,708,795</u>	<u>10,134,312</u>	<u>9,006,067</u>	<u>1,128,245</u>
Revenues under expenditures	<u>-</u>	<u>(5,559,478)</u>	<u>(6,760,198)</u>	<u>(1,200,720)</u>
Other financing sources:				
Installment purchase obligations issued	<u>-</u>	<u>5,559,478</u>	<u>5,559,478</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>5,559,478</u>	<u>5,559,478</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,200,720)</u>	<u>\$ (1,200,720)</u>
Fund balance, beginning			<u>1,852,032</u>	
Fund balance, ending			<u>\$ 651,312</u>	

The accompanying notes to the financial statements are an integral part of these statements

Statement of Net Position  
 Proprietary Fund  
 June 30, 2015

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food Service Fund</u>
	<u>Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 3,098,858
Due from other governments	331,491
Inventories	168,806
Total current assets	<u>3,599,155</u>
Noncurrent assets:	
Capital assets:	
Capital assets, net of depreciation	1,819,455
Total assets	<u>5,418,610</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>285,541</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	25,043
Accrued salaries and benefits	34,352
Total current liabilities	<u>59,395</u>
Noncurrent liabilities:	
Net pension liability	272,453
Compensated absences	219,783
	<u>492,236</u>
Total liabilities	<u>551,631</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>1,156,569</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,819,455
Unrestricted	2,176,496
	<u>3,995,951</u>
Total net position	<u>\$ 3,995,951</u>

The accompanying notes to the financial statements are an integral part of these statements

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Fund

For the Year Ended June 30, 2015

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food Service</u>
	<u>Fund</u>
<b>OPERATING REVENUES</b>	
Food sales	\$ 2,940,718
<b>OPERATING EXPENSES</b>	
Purchase of food	4,759,002
Salaries and benefits	5,408,907
Indirect costs	607,640
Utilities and telephone	6,106
Materials and supplies	545,160
Contracted services	69,646
Equipment and maintenance	158,738
Depreciation	211,165
Travel	35,663
Other	48,022
Total operating expenses	<u>11,850,049</u>
Operating loss	<u>(8,909,331)</u>
<b>NONOPERATING REVENUES</b>	
Federal reimbursements	7,826,903
Federal commodities	700,667
Indirect cost	577,660
State reimbursements	26,897
Interest earned on investments	6,890
Miscellaneous revenues	31,085
Total nonoperating revenues	<u>9,170,102</u>
Income before transfers	260,771
Transfers from other fund	<u>51,695</u>
Change in net position	<u>312,466</u>
<b>NET POSITION</b>	
Beginning of year, as previously stated	4,910,527
Restatement	<u>(1,227,042)</u>
Beginning of year, as restated	<u>3,683,485</u>
End of year	<u>\$ 3,995,951</u>

The accompanying notes to the financial statements are an integral part of these statements

**Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2015**

	<b>Enterprise Fund</b>
	<b>Major Fund</b>
	<b>School Food Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 2,917,903
Cash paid for goods and services	(4,926,116)
Cash paid to employees for services	(5,597,533)
Net cash used by operating activities	(7,605,746)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Federal reimbursements	7,826,903
State reimbursements	26,897
Miscellaneous revenues	31,085
Net cash provided by noncapital financing activities	7,884,885
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisitions of capital assets	(23,581)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	6,890
Net increase in cash	262,448
<b>CASH - BEGINNING OF YEAR</b>	2,836,410
<b>CASH - END OF YEAR</b>	\$ 3,098,858

The accompanying notes to the financial statements are an integral part of these statements

## ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA (Continued)

**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2015**

	<b>Enterprise Fund</b>
	<b>Major Fund</b>
	<b>School Food Service Fund</b>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (8,909,331)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	211,165
Pension expense	(168,121)
Donated commodities	700,667
Salaries paid by other fund	51,695
Indirect costs not paid	577,660
Changes in assets and liabilities:	
(Increase) decrease in:	
Due from other governments	(23,703)
Deferred outflows of resources for pension plan contributions in current fiscal year	(18,997)
Inventories	491
Increase (decrease) in:	
Accounts payable	25,043
Accrued liabilities	1,166
Compensated absences payable	(54,369)
Deferred inflows for prepaid meals	888
Total adjustments	1,303,585
Net cash used by operating activities	\$ (7,605,746)
Noncash investing, capital, and financing activities:	

The School Food Service Fund consumed donated commodities with a value of \$700,667 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 7.

The accompanying notes to the financial statements are an integral part of these statements

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Rowan-Salisbury Board of Education, North Carolina conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**A) Reporting Entity**

The Rowan-Salisbury Board of Education (Board) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in Rowan County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

**B) Basis of Presentation**

**Government-wide Financial Statements:** The statement of net position and the statement of activities display information about the Board. These statements include the financial activities of the overall government. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Board and for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the Board's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B) Basis of Presentation (Continued)**

The Board reports the following major governmental funds:

**General Fund:** The General Fund is the general operating fund of the Board. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. This fund is the “Local Current Expense Fund”, which is mandated by State law (G.S. 115C-426).

**State Public School Fund:** The State Public School Fund includes appropriations from the Department of Public Instruction for the current operating expenditures of the public school system.

**Individual Schools Fund:** The Individual Schools Fund includes revenues and expenditures of the activity funds of the individual schools. The primary revenue sources include funds held on the behalf of various clubs and organizations, receipts from athletic events, and proceeds from various fund raising activities. The primary expenditures are for athletic teams, club programs, activity buses, and instructional needs.

**Capital Outlay Fund:** The Capital Outlay Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds) and is reported as a capital projects fund. It is mandated by State law [G.S.115C-426]. Capital projects are funded by Rowan County appropriations, restricted sales tax monies, proceeds of Rowan County bonds issued for public school construction, lottery proceeds, as well as certain State assistance.

**Special Revenue Fund:** The Special Revenue Fund includes grants, reimbursements, and other special revenues that are not accounted for in the General Fund.

The Board reports the following non-major governmental fund:

**Federal Grants Fund:** The Federal Grants Fund includes appropriations from the federal government for the funding of specific federal programs.

The Board reports the following major enterprise fund:

**School Food Service Fund:** The School Food Service Fund is used to account for the food service program within the school system and is reported as an enterprise fund.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C) Measurement Focus and Basis of Accounting**

*Government-wide and Proprietary Fund Financial Statements:* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, includes grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statement:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and County grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

**D) Budgetary Data**

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools, as required by the North Carolina General Statutes. Per State law no budget is required for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the purpose level for all annually budgeted funds. The Superintendent and Finance Officer are authorized to transfer appropriations within a purpose code within a fund with proper justification. Transfers between funds require governing board approval. Copies of the Budget Resolution shall be immediately furnished to the Superintendent and the Finance Officer for direction in carrying out their duties.

During the year, significant amendments to the budget were necessary and were appropriately approved by the Board.



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E) Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity**

**1) Deposits and Investments**

All deposits of the Board are made in Board-designated official depositories and are secured as required by State law [G.S. 115C-444]. The Board may designate, as an official depository, any bank or savings and loan association whose principal office is located in North Carolina. Also, the Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. The Board also has money credited in its name with the State Treasurer and may issue State warrants against these funds.

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF).

The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with State laws and regulations. It is not registered with the SEC. The STIF consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

The Board's investments are reported at fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The STIF securities are reported at cost and maintain a constant \$1 per share value. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

**2) Cash and Cash Equivalents**

The Board pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**3) Inventories**

The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost. Proprietary fund inventories consist of food and supplies and are recorded as expenses when consumed.

**ROWAN-SALISBURY BOARD OF EDUCATION**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E) Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity (Continued)**

**4) Capital Assets**

The Board's capital assets are recorded at original cost. Donated assets are listed at their estimated fair value at the date of donation or forfeiture. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1970 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the Board to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	50
Building improvements	20
Furniture and equipment	5-15
Vehicles	8

Depreciation for buildings and equipment that serve multiple purposes cannot be allocated ratably and is therefore reported as “unallocated depreciation” on the statement of activities.

**5) Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as revenue until then. The Board has two items that meet this criterion – a pension related deferral and contributions made to the pension plan in the current fiscal year. The statement of financial position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has items that meet this criterion consisting of unearned grant revenue in the Special Revenue Fund and pension related deferrals.

**6) Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E) Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity (Continued)**

**7) Compensated Absences**

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Boards' liability for accumulated earned vacation and the salary-related payments as of June 30, 2015 is recorded in the government-wide and proprietary fund financial statements on the FIFO basis. An estimate has been made based on prior years' records, of the current portion of compensated absences.

The sick leave policy of the Board provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**8) Net Position/Fund Balances**

Net Position

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments, or imposed by law through State statute.

Fund Balance

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

**Nonspendable Fund Balance** - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

**Restricted Fund Balance** - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute - portion of fund balance that is restricted by State Statute [G.S. 115C-425(a)].

Restricted for School Capital Outlay - portion of fund balance that can only be used for School Capital Outlay. [G.S. 159-18 through 22]

Restricted for Individual Schools - revenue sources restricted for expenditures for the various clubs and organizations, athletic events, and various fund raising activities for which they were collected.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E) Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity (Continued)**

**8) Net Position/Fund Balances (Continued)**

Committed Fund Balance - portion of fund balance that can only be used for a specific purpose imposed by a majority vote by quorum of the Board of Education's governing body (highest level of decision-making authority) and in certain instances approval by the County's governing body is required. Any changes or removal of specific purpose requires majority action by the governing bodies that approved the original action.

Assigned Fund Balance - portion of fund balance that the Rowan-Salisbury Board of Education intends to use for specific purposes.

Special Revenue – portion of fund balance that will be used by special revenue fund activities, as determined by the governing body.

Subsequent Year's Expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned Fund Balance - the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Rowan-Salisbury Board of Education has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, board of education funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly, unassigned fund balance.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E) Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity (Continued)**

**9) Reconciliation of Government-wide and Fund Financial Statements**

- a) Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position.

The governmental funds balance sheet includes a reconciliation between total fund balance of the governmental funds and net position of the governmental activities as reported in the government-wide statement of net position. The net adjustment of \$74,137,368 consists of several elements as follows:

Description	
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$
215,079,025	
Less: Accumulated depreciation	(92,164,643)
Net capital assets	122,914,382
Pension related deferred outflows of resources:	
Contributions made to the pension plan in current fiscal year	8,605,001
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment purchase	(7,888,593)
Compensated absences	(9,549,481)
Net pension liability	(8,210,599)
Deferred inflow of resources related to pensions:	
Differences between expected and actual experience	(1,913,845)
Differences between projected and actual earnings on plan investments	(27,740,612)
Differences between contributions and proportional share of contributions and changes in proportion	(2,078,885)
Total adjustment	\$ 74,137,368

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E) Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity (Continued)**

**9) Reconciliation of Government-wide and Fund Financial Statements (Continued)**

b) Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$8,479,972 as follows:

Description	
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 15,920,158
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities, but not in the fund statements	(5,843,571)
Contributions to the pension plan in the current fiscal year and not included on the statement of activities	8,605,001
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position in the government-wide statements	(7,712,142)
Proceeds from disposal of assets	(319,444)
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Pension expense	(2,966,035)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	526,918
Gain on disposal of fixed assets	<u>269,087</u>
Total adjustment	<u>\$ 8,479,972</u>

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E) Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity (Continued)**

**10) Defined Benefit Pension Plans**

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' and State Employees' Retirement System (TSERS) and additions to/deductions from TSERS' fiduciary net position have been determined on the same basis as they are reported to TSERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Board's employer contributions are recognized when due and the Board has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of TSERS. Investments are reported at fair value.

**II) DETAIL NOTES ON ALL FUNDS**

**A) Assets**

**1) Deposits**

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the dedicated method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the Board's name. Under the pooling method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the pooling method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the pooling method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the pooling method. The Board has no policy regarding custodial credit risk for deposits.

At June 30, 2015, the Board had deposits with banks and savings and loans with a carrying amount of \$7,356,147. The bank balances with the financial institutions and the State Treasurer were \$8,651,594 and \$762,762, respectively. Of these balances, \$1,420,259 was covered by federal depository insurance and \$7,994,098 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

**2) Investments**

At June 30, 2015, the Board of Education had \$8,571,544 invested with the State Treasurer in the Short-Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.5 years at June 30, 2015. The Board had no policy for managing interest rate risk or credit risk.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**A) Assets (Continued)**

**3) Accounts Receivable**

Receivables at the government-wide level at June 30, 2015, were as follows:

	<u>Due from other governments</u>
<b>Governmental activities:</b>	
General Fund	\$ 105,690
Other governmental activities	<u>4,047,058</u>
Total	<u>\$ 4,152,748</u>
<b>Business-type activities:</b>	
School Food Service Fund	<u>\$ 331,491</u>

Due from other governments consists of the following:

<b>Governmental activities:</b>		
General Fund	\$ 47,837	Fines and forfeitures
General Fund	57,853	Local grant funds
State Public School Fund	2,998,514	Operating funds from the State
Special Revenue Fund	72,855	Local grant funds
Capital Outlay Fund	680,941	County sales tax revenue
Federal Grants Fund	<u>294,748</u>	Federal grant funds
Total	<u>\$ 4,152,748</u>	
<b>Business-type activities:</b>		
School Food Service Fund	<u>\$ 331,491</u>	Federal reimbursements



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**A) Assets (Continued)**

**4) Capital Assets**

Capital asset activity for the year ended June 30, 2015, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,921,823	\$ 1,540,958	\$ -	\$ 4,462,781
Construction in progress	<u>430,726</u>	<u>693,304</u>	<u>-</u>	<u>1,124,030</u>
Total capital assets not being depreciated	<u>3,352,549</u>	<u>2,234,262</u>	<u>-</u>	<u>5,586,811</u>
Capital assets being depreciated:				
Buildings	172,480,087	535,691	451,295	172,564,483
Equipment and furniture	9,637,583	11,349,866	-	20,987,449
Vehicles	<u>14,818,674</u>	<u>1,800,340</u>	<u>678,732</u>	<u>15,940,282</u>
Total capital assets being depreciated	<u>196,936,344</u>	<u>13,685,897</u>	<u>1,130,027</u>	<u>209,492,214</u>
Less accumulated depreciation for:				
Buildings	71,315,279	3,089,111	400,937	74,003,453
Equipment and furniture	5,677,942	2,433,515	-	8,111,457
Vehicles	<u>10,407,519</u>	<u>320,945</u>	<u>678,731</u>	<u>10,049,733</u>
Total accumulated depreciation	<u>87,400,740</u>	<u>5,843,571</u>	<u>1,079,668</u>	<u>92,164,643</u>
Total capital assets being depreciated, net	<u>109,535,604</u>			<u>117,327,571</u>
Governmental activity capital assets, net	<u>\$112,888,153</u>			<u>\$122,914,382</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 5,522,625
Operational support services	<u>320,946</u>
Total	<u>\$ 5,843,571</u>

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**A) Assets (Continued)**

**4) Capital Assets (Continued)**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>School Food Service Fund:</b>				
Capital assets being depreciated:				
Furniture and equipment	\$ 4,925,930	\$ 24,304	\$ -	\$ 4,950,234
Less accumulated depreciation for:				
Furniture and equipment	2,919,614	211,165	-	3,130,779
Business-type activity capital assets, net	\$ 2,006,316			\$ 1,819,455

**B) Liabilities**

**1) Pension Plan and Other Postemployment Obligations**

**a) Teachers' and State Employees' Retirement System**

**Plan Description.** The Board is a participating employer in the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Teachers' and State Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**Benefits Provided.** TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (or 10 years of

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**a) Teachers' and State Employees' Retirement System (Continued)**

creditable service for members joining TSERS on or after August 1, 2011). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60 (10 years for members joining on or after August 1, 2011). Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

**Contributions.** Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2015, was 9.15% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$8,686,209, \$8,110,323, and \$7,593,294 for the years ended June 30, 2015, 2014 and 2013, respectively.

**Refunds of Contributions** – Board employees who have terminated service as a contributing member of TSERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by TSERS.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2015, the Board reported a liability of \$8,483,052 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**a) Teachers' and State Employees' Retirement System (Continued)**

December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2014 and at June 30, 2013, the Board's proportion was .766%.

For the year ended June 30, 2015, the Board recognized pension expense of \$3,064,459. At June 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,977,354
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	28,661,132
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	2,147,869
Board contributions subsequent to the measurement date	8,890,542	-
Total	<u>\$ 8,890,542</u>	<u>\$ 32,786,355</u>

\$8,890,540 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (8,253,733)
2017	(8,253,733)
2018	(8,253,733)
2019	(8,025,159)
2020	-
Total	<u>\$ (32,786,358)</u>

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**a) Teachers' and State Employees' Retirement System (Continued)**

*Actuarial Assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 9.10 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**a) Teachers' and State Employees' Retirement System (Continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

**Discount rate.** The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**a) Teachers' and State Employees' Retirement System (Continued)**

*Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Board's proportionate share of the net pension liability (asset)	\$ 8,491,360	\$ 1,182,856	\$(4,988,111)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

**b) Other Postemployment Benefits**

**1) Healthcare Benefits**

*Plan Description:* The postemployment healthcare benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Administrator and the Board of Trustees of the Plan establishes premium rates except as may be established by the General Assembly in an appropriation act. The Plan's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employers making contributions to the Plan.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**b) Other Postemployment Benefits (Continued)**

**1) Healthcare Benefits (Continued)**

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the State's Comprehensive Major Medical Plan (also, referred to as the State Health Plan). An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

**Funding Policy:** The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establish premium rates except as may be established by the General Assembly in an appropriation act. The healthcare benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as retired employees is subject to the requirement that the future retiree have twenty or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on and after October 1, 2006 with ten but less than twenty years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. For employees hired before October 1, 2006, healthcare benefits are provided to retirees (at no charge to the retirees) who have at least five years of contributing retirement membership prior to disability or retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2015, 2014, and 2013, the Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$5,211,725, \$5,039,786, and \$5,391,058, respectively. These contributions represented 5.49%, 5.40%, and 5.30% of covered payroll, respectively.



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**b) Other Postemployment Benefits (Continued)**

**2) Long-term Disability Benefits**

**Plan Description:** Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan. The DIPNC is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System. Long-term disability benefits are payable as an other postemployment benefit from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The Plan accumulates contributions from employers and any earnings on those contributions in the Disability Income Plan Trust Fund. The Plan does not provide for automatic post-retirement benefit increases.

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the DIPNC. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

**Funding Policy:** An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in the Teachers' and State Employees' Retirement System of North Carolina, earned within ninety-six months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within one hundred eighty days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for workers' compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from the Retirement System; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from the Retirement System after (1) reaching the age of sixty-five and completing five years of creditable service, or (2) reaching the age of sixty and completing twenty-five years of creditable service, or (3) completing thirty years of creditable service, at any age.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plan and Other Postemployment Obligations (Continued)**

**b) Other Postemployment Benefits (Continued)**

**2) Long-term Disability Benefits (Continued)**

The monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one twelfth of the annual longevity payment to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for workers' compensation to which the participant or beneficiary may be entitled. The monthly benefit shall be further reduced by the amount of any monthly payments from the Department of Veterans Affairs, any other federal agency or any payments made under the provisions of G.S. 127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided in any event, the benefits payable shall be no less than \$10 a month. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS. For members who obtain five years of membership service on or after August 1, 2007, the monthly long-term disability benefit is reduced by the primary Social Security retirement benefit to which you might be entitled should you become age sixty-two during the first thirty-six months. After thirty-six months of long-term disability, there will be no further payments from the DIPNC unless the member is approved for and are in receipt of primary Social Security disability benefits. It is payable so long as the member remains disabled and is in receipt of a primary Social Security disability benefit until eligible for an unreduced service retirement benefit. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS.

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2015, 2014, and 2013, the Board paid all annual required contributions to the DIPNC for disability benefits of \$389,218, \$410,649, and \$447,560, respectively. These contributions represented 0.41%, 0.44%, and 0.44% of covered payroll, respectively.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**2) Accounts Payable**

Accounts payable as of June 30, 2015 are as follows:

	Vendors	Accrued Salary	Total
<b>Governmental activities:</b>			
General	\$ 275,418	\$ 965,049	\$ 1,240,467
Other governmental	28,628	3,326,755	3,355,383
Total governmental activities	\$ 304,046	\$ 4,291,804	\$ 4,595,850
<b>Business-type activities:</b>			
School Food Service Fund	\$ 25,043	\$ 34,352	\$ 59,395

**3) Deferred Inflows of Resources**

The balance in deferred inflows of resources at year-end is composed of the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Governmental activities:</b>		
Change in proportion and difference between employer contributions and proportionate share of contributions	\$ -	\$ 2,078,885
Difference between expected and actual experience	-	27,740,612
Difference between projected and actual earnings on plan investments	-	1,913,845
Pension contributions subsequent to the measurement date	8,605,001	
Grants and Scholarships (Special Revenue Fund)	-	896,839
Total governmental activities	\$ 8,605,001	\$ 32,630,181

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**3) Deferred Inflows of Resources (Continued)**

<b>Business-type activities:</b>	Deterred Outflows of Resources	Deferred Inflows of Resources
Change in proportion and diference between employer contributions and proportionate share of contributions	\$ -	\$ 68,984
Difference between projected and actual earnings on plan investments	-	920,520
Difference between expected and actual experience	-	63,507
Pension contributions subsequent to the measurement date	285,541	
Prepaid meals	-	103,558
<b>Totals</b>	<b>\$ 285,541</b>	<b>\$ 1,156,569</b>

**4) Risk Management**

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board purchases insurance coverage through Continental Western Insurance Company. The Board maintains general liability and errors and omissions coverage of \$1 million each occurrence limit. The Board purchases workers' compensation insurance through Republic Indemnity Insurance Company and the coverage provides the statutory limits for employees to the extent they are paid from federal and local funds. The State of North Carolina provides workers' compensation for employees to the extent they are paid from State funds. Continental Western Insurance Company has an annual aggregate limit for general liability of \$2,000,000 and \$2,000,000 for errors and omissions. The Board also purchases property insurance through the Firemen's Insurance Company of Washington, DC to insure the tangible property assets of the Board. The Board's property insurance policy provides a blanket insurance limit of \$546,203,743 on the Building and Contents. There is no co-insurance and the property is insured on a replacement cost basis. The property deductible is \$5,000 per occurrence. The property policy provides a \$5,000,000 limit for Flood and Earthquake with a \$25,000 deductible. The Firemen's Insurance Company of Washington DC and Continental Western Insurance Company are rated A+ by AM Best and Republic Indemnity Company of America is rated A by AM Best.

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits up to a \$5 million lifetime limit. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$215,000.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**4) Risk Management (Continued)**

The Board carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past three fiscal years.

**5) Contingent Liabilities**

At June 30, 2015, the Board was a defendant to various lawsuits. In the opinion of the Board's management and the Board's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Board's financial position.

**6) Long-Term Obligations**

**a) Installment Purchases**

The Board is authorized by State law [G.S.115C-47(28a)] to enter into installment purchase contracts to finance energy conservation measures that will reduce its operating costs. In January 2015, the Board entered into such a contract to reduce the energy costs associated with the construction of the new administrative office. The financing contract requires principal payments for fifteen years beginning in the fiscal year 2015 with an interest rate 2.65 percent.

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Sessions law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through a special third party financing arrangement by Mercedes Benz Financial Services USA LLC at total payments less than the purchase price. During 2014, the Board entered into installment purchase contracts to finance the purchase of twenty school buses. The financing contract requires four principal-only payments: one payment due upon acceptance of the buses and the remaining three payments are due annually.

The Board is authorized by State law [G.S. 115C-528(a)] to enter into installment purchase contracts to finance the purchase of computer equipment. In July 2014, the Board entered into such a contract to purchase computers for instructional purposes and classroom engagement. The financing contract requires principal payments for three years beginning in the fiscal year 2015.

The future minimum payments of the installment purchases as of June 30, 2015 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities Principal</u>
2016	\$ 4,384,820
2017	<u>3,503,773</u>
Total	<u>\$ 7,888,593</u>

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**b) Long-Term Obligations (Continued)**

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2015:

	Beginning Balance	Increase	Decrease	Ending Balance	Current Portion
Governmental activities:					
Compensated absences	\$ 10,076,399	\$ 7,530,115	\$ 8,057,033	\$ 9,549,481	\$ -
Net pension liability	45,010,421	-	36,799,822	8,210,599	-
Installment purchase	176,451	12,658,234	4,946,092	7,888,593	4,384,820
Total	<u>\$ 55,263,271</u>	<u>\$ 20,188,349</u>	<u>\$ 49,802,947</u>	<u>\$ 25,648,673</u>	<u>\$ 4,384,820</u>
Business-type activities:					
Compensated absences	\$ 274,152	\$ 293,729	\$ 348,098	\$ 219,783	\$ -
Net pension liability	<u>1,493,585</u>	<u>-</u>	<u>1,221,132</u>	<u>272,453</u>	<u>-</u>
Total	<u>\$ 1,767,737</u>	<u>\$ 293,729</u>	<u>\$ 1,569,230</u>	<u>\$ 492,236</u>	<u>\$ -</u>

Compensated absences for governmental activities are typically liquidated by the general and other governmental funds.

**c) Interfund Balances and Activity**

**Transfers to/from other funds at June 30, 2015, consist of the following:**

From the State Public School Fund to the School Food Services Fund for administrative costs	<u>\$ 51,695</u>
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**d) Fund Balance**

The Board of Education has a revenue spending policy that provides a policy for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: federal funds, State funds, local non-Board of Education funds, Board of Education funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Board of Education.

**ROWAN-SALISBURY BOARD OF EDUCATION**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**II) DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**d) Fund Balance (Continued)**

The following schedule provides management and citizens with information on the portion of the General Fund balance that is available for appropriation.

	General Fund
Total fund balance	\$ 4,998,756
Less:	
Stabilization by State statute	(105,690)
Subsequent years expenditures	(16,000)
Remaining unassigned fund balance	\$ 4,877,066

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The Board has no encumbrances as of June 30, 2015.

**III) SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

**Federal and State Assisted Programs**

The Board has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

**IV) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 7, 2015, which is the date the financial statements were available to be issued, and no events have occurred that required recognition or disclosure for the year ended June 30, 2015.

**(VI) CHANGE IN ACCOUNTING PRINCIPLE**

The Board implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements address accounting and financial reporting for pensions provided to Board employees that is administered by the North Carolina Teachers' and State Employees' Retirement System. The implementation of the statements required the Board to record beginning net pension liability and the effects on net position of contributions made by the Board during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by (\$36,977,906) and (\$1,227,042), respectively.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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Schedule of the Proportionate Share of the Net Pension Liability  
*Teachers' and State Employees' Retirement System*

Schedule of Contributions  
*Teachers' and State Employees' Retirement System*



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of the Proportionate Share of the Net Pension Liability**  
**Teachers' and State Employees' Retirement System**  
**Last Two Fiscal Years\***

	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.724%	0.766%
Board's proportionate share of the net pension liability (asset)	\$ 8,483,052	\$ 46,504,006
Board's covered-employee payroll	\$ 98,177,285	\$ 96,996,779
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.64%	47.94%
Plan fiduciary net position as a percentage of the total pension liability*	98.24%	90.60%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Contributions**  
**Teachers' and State Employees' Retirement System**  
**Last Two Fiscal Years\***

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 8,890,540	\$ 8,299,058
Contributions in relation to the contractually required contribution	<u>8,890,540</u>	<u>8,299,058</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 98,177,285	\$ 96,996,779
Contributions as a percentage of covered-employee payroll	9.06%	8.56%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

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## **INDIVIDUAL FUND SCHEDULES**

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**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**

**Schedule 1**

**Schedule of Revenues, Expenditures and Changes**

**in Fund Balance - Budget and Actual**

**General Fund**

**For the Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Rowan County			
County appropriation	\$ 32,378,162	\$ 32,378,162	\$ -
U.S. Government	446,523	370,452	(76,071)
Other:			
Fines and forfeitures	600,000	605,017	5,017
Late list	-	78,987	78,987
Medicaid administration	1,100,216	1,200,597	100,381
Interest earned	25,000	22,769	(2,231)
Rental of school property	220,000	159,240	(60,760)
Local government sales tax refund	710,000	686,539	(23,461)
Other	510,000	591,164	81,164
Total other	<u>3,165,216</u>	<u>3,344,313</u>	<u>179,097</u>
Total revenues	<u>35,989,901</u>	<u>36,092,927</u>	<u>103,026</u>
<b>EXPENDITURES</b>			
Instructional services:			
Regular instructional	10,800,370	10,390,414	409,956
Special populations	1,782,672	1,676,406	106,266
Alternative programs	227,656	179,458	48,198
School leadership	2,814,608	2,768,743	45,865
Co-curricular	891,271	884,426	6,845
School based support	1,529,840	1,461,797	68,043
Total instructional services	<u>18,046,417</u>	<u>17,361,244</u>	<u>685,173</u>
System-wide support services:			
Support and development	519,069	471,072	47,997
Special population support and development	308,882	296,884	11,998
Alternative programs and services support and development	49,795	39,787	10,008
Technology support	7,510,404	7,200,016	310,388
Operational support	9,796,526	9,502,157	294,369
Financial and human resource	1,806,959	1,535,094	271,865
Accountability	109,881	99,719	10,162
System-wide pupil support	189,405	179,247	10,158
Policy, leadership, and public relations	937,744	594,304	343,440
Total system-wide support services	<u>21,228,665</u>	<u>19,918,280</u>	<u>1,310,385</u>

**Schedule 1**  
**(Continued)**

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2015**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>EXPENDITURES (Continued)</b>			
Ancillary services	\$ 12,819	\$ 12,815	\$ 4
Non-programmed charges	261,478	256,966	4,512
Debt service:			
Principal	2,000,000	2,000,000	-
Total expenditures	41,549,379	39,549,305	2,000,074
Revenues under expenditures	(5,559,478)	(3,456,378)	2,103,100
<b>OTHER FINANCING SOURCES</b>			
Installment purchase obligations issued	5,559,478	5,559,478	-
<b>APPROPRIATED FUND BALANCE</b>			
Net change in fund balance	\$ -	2,103,100	\$ 2,103,100
<b>FUND BALANCE</b>			
Beginning of year		2,895,656	
End of year		\$ 4,998,756	

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
Federal Grants Fund  
For the Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
U.S. Government	\$ 18,147,183	\$ 10,863,548	\$ (7,283,635)
<b>EXPENDITURES</b>			
Instructional services:			
Regular instructional	1,777,519	1,224,221	553,298
Special populations	4,798,903	3,599,273	1,199,630
Alternative programs	7,418,182	5,446,109	1,972,073
School leadership	9,066	9,064	2
School based support	507,889	345,471	162,418
Total instructional services	<u>14,511,559</u>	<u>10,624,138</u>	<u>3,887,421</u>
System-wide support services:			
Support and development	4,300	3,762	538
Special population support and development	27,000	12,263	14,737
Alternative programs and services support and development	201,186	49,246	151,940
Technology support	300	207	93
Operational support	182,163	82,303	99,860
Total system-wide support services	<u>414,949</u>	<u>147,781</u>	<u>267,168</u>
Non-programmed charges	3,220,675	91,629	3,129,046
Total expenditures	<u>18,147,183</u>	<u>10,863,548</u>	<u>7,283,635</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>FUND BALANCE</b>			
Beginning of year		<u>-</u>	
End of year		<u>\$ -</u>	

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

Capital Outlay Fund

For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
State of North Carolina	\$ 946,092	\$ 946,092	\$ -
Rowan County	1,540,571	1,897,168	356,597
Other	8,543,226	645,395	(7,897,831)
Total revenues	<u>11,029,889</u>	<u>3,488,655</u>	<u>(7,541,234)</u>
<b>EXPENDITURES</b>			
Debt service:			
Principal	<u>946,092</u>	<u>946,092</u>	<u>-</u>
Total debt service	<u>946,092</u>	<u>946,092</u>	<u>-</u>
Property:			
Real property and buildings		994,667	
Furniture and equipment		896,906	
Buses and motor vehicles		39,125	
Total property	<u>11,899,890</u>	<u>1,930,698</u>	<u>9,969,192</u>
Total expenditures	<u>12,845,982</u>	<u>2,876,790</u>	<u>9,969,192</u>
Revenues over (under) expenditures	(1,816,093)	611,865	2,427,958
<b>OTHER FINANCING SOURCES</b>			
Installment purchase obligations issued	-	-	-
<b>APPROPRIATED FUND BALANCE</b>			
	<u>1,816,093</u>	<u>-</u>	<u>(1,816,093)</u>
Net change in fund balance	<u>\$ -</u>	<u>611,865</u>	<u>\$ 611,865</u>
<b>FUND BALANCE</b>			
Beginning of year		<u>3,452,174</u>	
End of year		<u>\$ 4,064,039</u>	

**Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
School Food Service Fund  
For the Year Ended June 30, 2015**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Food sales	\$ 3,312,000	\$ 2,940,718	\$ (371,282)
<b>OPERATING EXPENDITURES</b>			
Business support services:			
Food costs		4,758,511	
Salaries and benefits		5,650,394	
Indirect costs		607,640	
Materials and supplies		545,160	
Equipment and maintenance		158,738	
Utilities and telephone		6,106	
Contracted services		69,646	
Travel		35,663	
Other		48,022	
Capital outlay		23,581	
Total operating expenditures	12,789,000	11,903,461	885,539
Operating loss	(9,477,000)	(8,962,743)	514,257
<b>NONOPERATING REVENUES</b>			
Federal reimbursements	7,800,000	7,826,903	26,903
Federal commodities	720,000	700,667	(19,333)
State reimbursements	-	26,897	26,897
Indirect costs not paid	750,000	577,660	(172,340)
Interest earned on investments	12,000	6,890	(5,110)
Miscellaneous revenues	195,000	31,085	(163,915)
Total nonoperating revenues	9,477,000	9,170,102	(306,898)
Revenues over expenditures before other financing sources	-	207,359	207,359
<b>OTHER FINANCING SOURCES</b>			
Transfers from other funds	-	51,695	51,695
Revenues and other financing sources over expenditures	\$ -	259,054	\$ 259,054
Reconciliation of modified accrual to full accrual basis:			
Depreciation		(211,165)	
Contributions to the pension plan in current fiscal year		18,997	
Capital acquisitions		23,581	
Decrease in compensated absences payable		54,369	
Decrease in inventories		(491)	
Pension expense		168,121	
Change in net position (full accrual basis)		\$ 312,466	



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## **COMPLIANCE SECTION**

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**Independent Auditors' Report On Internal Control Over  
Financial Reporting And On Compliance  
And Other Matters Based On An Audit Of Financial Statements Performed  
In Accordance With *Government Auditing Standards***

Rowan-Salisbury Board of Education  
Salisbury, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rowan-Salisbury Board of Education, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the Rowan-Salisbury Board of Education's basic financial statements, and have issued our report thereon dated December 7, 2015.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Rowan-Salisbury Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rowan-Salisbury Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rowan-Salisbury Board of Education's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

***Internal Control Over Financial Reporting*** (Continued)

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Rowan-Salisbury Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rives & Associates LLP*

Lexington, North Carolina  
December 7, 2015



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**Independent Auditors' Report On Compliance For Each Major  
Federal Program on Internal Control  
Over Compliance And In Accordance With OMB Circular A-133 And The  
State Single Audit Implementation Act**

Rowan-Salisbury Board of Education  
Salisbury, North Carolina

***Report on Compliance for Each Major Federal Program***

We have audited the Rowan-Salisbury Board of Education, North Carolina, compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Rowan-Salisbury Board of Education, major federal programs for the year ended June 30, 2015. The Rowan-Salisbury Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Rowan-Salisbury Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Rowan-Salisbury Board of Education's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Rowan-Salisbury Board of Education's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Rowan-Salisbury Board of Education complied, in all material respects, with the types of compliance requirements referred to that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### ***Report on Internal Control Over Compliance***

Management of the Rowan-Salisbury Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to. In planning and performing our audit of compliance, we considered the Rowan-Salisbury Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Rowan-Salisbury Board of Education's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Rivers & Associates LLP*

Lexington, North Carolina  
December 7, 2015



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## **Independent Auditors' Report On Compliance For Each Major State Program And on Internal Control Over Compliance In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act**

Rowan-Salisbury Board of Education  
Salisbury, North Carolina

### ***Report on Compliance for Each Major State Program***

We have audited the Rowan-Salisbury Board of Education, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Rowan-Salisbury Board of Education's major state programs for the year ended June 30, 2015. The Rowan-Salisbury Board of Education's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Rowan-Salisbury Board of Education's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Rowan-Salisbury Board of Education's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Rowan-Salisbury Board of Education's compliance.

### ***Opinion on Each Major State Program***

In our opinion, Rowan-Salisbury Board of Education complied, in all material respects, with the types of compliance requirements referred to that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

### ***Report on Internal Control Over Compliance***

Management of the Rowan-Salisbury Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to. In planning and performing our audit of compliance, we considered the Rowan-Salisbury Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Rowan-Salisbury Board of Education's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Rivers & Associates LLP*

Lexington, North Carolina  
December 7, 2015

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2015**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

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**Financial Statements**

Type of auditors' report issued:		Unmodified		
Internal control over financial reporting:				
Material weakness(es) identified	_____	Yes	_____ <u>X</u> _____	No
Significant deficiency(s) identified that are not considered to be material weaknesses	_____	Yes	_____ <u>X</u> _____	No
Noncompliance material to financial statements noted	_____	Yes	_____ <u>X</u> _____	No

**Federal Awards**

Internal control over major federal programs:				
Material weakness(es) identified	_____	Yes	_____ <u>X</u> _____	No
Significant deficiency(s) identified that are not considered to be material weakness(es)	_____	Yes	_____ <u>X</u> _____	None reported
Type of auditors' report issued on compliance for major federal programs:			Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	_____	Yes	_____ <u>X</u> _____	No



**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2015**

**Schedule 5**  
**(Continued)**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS (Continued)**

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Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)
84.287	Twenty-First Century Community Learning Centers
84.367	Improving Teacher Quality State Grants

Dollar threshold used to distinguish between Type A and Type B Programs

\$ 592,847

Auditee qualified as low-risk auditee

  X   Yes             No

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2015**

**Schedule 5**  
**(Continued)**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS (Continued)**

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**State Awards**

Internal control over major State programs:

Material weaknesses identified \_\_\_\_\_ Yes   X   No

Significant deficiency(s) identified that are not considered to be material weakness(es) \_\_\_\_\_ Yes   X   None reported

Type of auditors' report issued on compliance for major state programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act \_\_\_\_\_ Yes   X   No

Identification of major State programs:

**State Program Name**

State Public School Fund

School Buses Appropriation

Driver Training

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2015**

**Schedule 5**  
**(Continued)**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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None reported.

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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None reported.

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**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

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None reported.

**Corrective Action Plan  
For the Year Ended June 30, 2015**

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**SECTION V - CORRECTIVE ACTION PLANS**

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None reported

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Summary Schedule of Prior Year Audit Findings**  
**For the Year Ended June 30, 2015**

**Schedule 7**

**Finding 2014-01**

*Description:* Bank reconciliations should be performed monthly and in a timely manner.

*Status:* Corrected

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2015

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State Pass-through Grantor's Number	Expenditures
Federal Grants:			
<u>U.S. Department of Education</u>			
Cash Assistance:			
Passed-through the N.C. Department of Public Instruction:			
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)	84.010	PRC 050	\$ 5,474,454
School Improvement Cluster:			
School Improvement (Title I, Part A of ESEA)	84.010	PRC 105	65,448
Total School Improvement Grants			<u>65,448</u>
Special Education Cluster:			
Individuals with Disabilities Education Act (IDEA)			
- Preschool Handicapped	84.173	PRC 049	111,600
- Education of the Handicapped	84.027	PRC 060	3,472,391
- Risk Pool	84.027	PRC 114	51,300
- Special Needs Targeted Assistance	84.027	PRC 118	10,830
- Preschool Targeted Assistance	84.173	PRC 119	(211)
Total Special Education Cluster			<u>3,645,910</u>
Education for Homeless Children and Youth Cluster:			
Education for Homeless Children and Youth	84.196	PRC 026	<u>34,855</u>
State Personnel Development	84.323	PRC 082	<u>15,388</u>
Improving Teacher Quality State Grants	84.367	PRC 103	<u>826,129</u>
Language Acquisition Significant Inc. Grant	84.365	PRC 104	<u>82,582</u>
Twenty-First Century Community Learning Centers	84.287	PRC 110	<u>293,227</u>
Career and Technical Education - Basic Grants			
to States	84.048	PRC 017	240,906
Career and Technical Education - Capacity			
Building Grant	84.048	PRC 058	3,000
Total Career Technical Education			<u>243,906</u>
ARRA-Race to the Top (RttT)	84.395	PRC 154, 158	<u>181,649</u>
Total U.S. Department of Education			<u>10,863,548</u>

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2015**

**Schedule 8**  
**(Continued)**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass-through Grantor's Number</u>	<u>Expenditures</u>
Federal Grants (Continued):			
<u>U. S. Department of Agriculture</u>			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
Passed-through the N.C. Department of Agriculture:			
National School Lunch Program	10.555		\$ 700,667
Non-Cash Assistance Subtotal			<u>700,667</u>
Cash Assistance:			
Passed-through the N.C. Department of Public Instruction:			
School Breakfast Program (Special Milk Program)	10.553		1,885,214
National School Lunch Program	10.555		5,550,136
Summer Food Service Program for Children	10.559		271,999
Total Cash Assistance			<u>7,707,349</u>
Total Child Nutrition Cluster			<u>8,408,016</u>
Passed-through the N.C. Department of Agriculture:			
Cash Assistance:			
Fresh Fruit and Vegetable Program	10.582		146,451
Total U.S. Department of Agriculture			<u>8,554,467</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
ROTC	-		370,452
Total federal assistance			<u>19,788,467</u>

**ROWAN-SALISBURY BOARD OF EDUCATION, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2015**

**Schedule 8**  
**(Continued)**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State Pass-through Grantor's Number	Expenditures
State Grants:			
Cash Assistance:			
<u>N.C. Department of Public Instruction</u>			
State Public School Fund			\$ 101,924,031
Driver Training - SPSF		PRC 012	319,051
School Technology Fund - SPSF		PRC 015	1,220,061
Vocational Education			
- State Months of Employment		PRC 013	5,206,295
- Program Support Funds		PRC 014	499,338
 <u>N.C. Department of Health and Human Services</u>			
School Nurse grant		-	100,000
NC Pre-Kindergarten Program		-	553,217
 Non-Cash Assistance:			
<u>N.C. Department of Public Instruction</u>			
School Buses Appropriation		-	946,092
Total State assistance			110,768,085
Total federal and State assistance			\$ 130,556,552

Note to the Schedule of Expenditures of Federal and State Awards:

Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the Rowan-Salisbury Board of Education, North Carolina and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.